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AMEMBASSY BEIJING IMMEDIATE  
INFO MISSILE TECHNOLOGY CONTROL REGIME COLLECTIVE PRIORITY

S E C R E T STATE 203803

E.O. 12958: DECL: 12/28/2031  
TAGS: [PARM](#) [MTCRE](#) [PREL](#) [MNUC](#) [ETTC](#) [CH](#)

SUBJECT: IRAN AND SYRIA NONPROLIFERATION ACT --  
NOTIFICATION OF SANCTIONS AGAINST THREE CHINESE ENTITIES  
(C)

REF: 05 STATE 112901

Classified By: EAP DAS THOMAS CHRISTENSEN  
FOR REASONS 1.4 (B), (D), and (H).

11. (U) This is an action request. Embassy Beijing please see paragraph 5.

12. (S) Background: The Iran and Syria Nonproliferation Act (ISNA) requires periodic reports to Congress identifying foreign entities with respect to whom there is credible information indicating that they have transferred to or acquired from Iran or Syria items on multilateral lists (Australia Group (AG), Chemical Weapons Convention (CWC), Missile Technology Control Regime (MTCR), Nuclear Suppliers Group (NSG), and the Wassenaar Arrangement (WA)) or other items with the potential to make a material contribution to missile, WMD, or certain other weapons programs. The USG has determined that China National Electronic Import-Export Company (CEIEC), China National Aero-Technology Import and Export Company (CATIC), and Zibo Chemet Equipment Company have engaged in activities, as noted above, that warrant the imposition of measures pursuant to Section 3 of the ISNA. We have raised on several occasions with the Chinese government our concerns about Zibo Chemet Equipment Company's transfers of glass-lined chemical processing equipment to Iran, most recently in July 2006.

13. (S) Accordingly, pursuant to the provisions of the ISNA, the following penalties are imposed on these entities, (or individuals), their subunits, subsidiaries, and successors:

a. No department or agency of the United States Government may procure, or enter into any contract for the procurement of any goods, technology, or services from them;

b. No department or agency of the United States Government may provide any assistance to them, and they shall not be eligible to participate in any assistance program of the United States Government;

c. No USG sales to them of any item on the United States Munitions List are permitted, and all sales to them of any defense articles, defense services, or design and construction services under the Arms Export Control Act are terminated; and

d. No new individual licenses shall be granted for the transfer to them of items, the export of which is controlled under the Export Administration Act of 1979 or the Export Administration Regulations, and existing such licenses are suspended.

These measures, which will take effect shortly, will remain in place for two years. We want to provide advance notice to the Chinese Government of this decision, note that this determination will be published soon in the Federal Register, and make clear that the penalties are only on the entities or individuals. End Background.

14. (S) Purpose/Objective: To inform the host government of the sanctions determination prior to its publication in the

Federal Register. Post should make clear that the U.S. will continue to raise cases of proliferation concern with the Government of China and look for opportunities to cooperate in halting proliferation.

15. (S) Action request: Post is requested to provide the following suggested talking points to appropriate Chinese government officials and report response. Talking points also may be provided as a non-paper.

16. (S//REL CHINA) Suggested Talking Points:

-- The United States has determined that there is credible information indicating that China National Electronic Import-Export Company (CEIEC), China National Aero-Technology Import and Export Company (CATIC), and Zibo Chemet Equipment Company transferred to or acquired from Iran since January 1, 1999, or transferred to or acquired from Syria since January 1, 2005, items on a multilateral control list, or other items that have the potential to contribute materially to WMD, missile, or certain other weapons programs in Iran or Syria.

-- Based on these transfers, we have imposed certain measures against these entities as provided in the Iran and Syria Nonproliferation Act (ISNA).

-- We are not in a position at this time to describe the activities which led to this determination.

-- We have, however, raised on past occasions our concerns about Zibo Chemet Equipment Company's transfer of chemical weapons-related equipment to Iran, including shipments of glass-lined equipment in April 2005.

-- As we have discussed on numerous occasions, we view military- and proliferation-related transfers to Iran very seriously, particularly in light of Iran's continuing refusal to meet IAEA and UN requirements with regard to its nuclear program: a statement which it recently repeated following the passage of UN security Council Resolution (UNSCR) 1737, imposing targeted sanctions on Iran's nuclear and missile program.

-- Continued proliferation to Iran and Syria undermine our joint, diplomatic efforts to resolve the Iranian nuclear weapons issue and the crisis in the Middle East.

-- Accordingly, pursuant to the provisions of the ISNA, the following measures are imposed on these entities, (or individuals), and their successors, subunits, and subsidiaries:

a. No department or agency of the United States Government may procure, or enter into any contract for the procurement of any goods, technology, or services from them;

b. No department or agency of the United States Government may provide any assistance to them, and they shall not be eligible to participate in any assistance program of the United States Government;

c. No USG sales to them of any item on the United States Munitions List are permitted, and all sales to them of any defense articles, defense services, or design and construction services under the Arms Export Control Act are terminated: and

d. No new individual licenses shall be granted for the transfer to them of items, the export of which is controlled under the Export Administration Act of 1979 or the Export Administration Regulations, and existing such licenses are suspended.

-- These measures will take effect shortly and will remain in place for two years.

-- This determination will be published soon in the Federal Register.

17. (U) Please slug any reporting on this issue for ISN/MTR and EAP/CM. A response is requested as soon as possible. Department point of contact is Ralph Palmiero, ISN/MTR, 202-647-3737 (palmierorm@state.sgov.gov).  
RICE

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End Cable Text